

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-13 JUSE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
CTME-00 AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02
SOE-02 OMB-01 DOE-15 AF-10 ARA-10 EA-10 EUR-12
NEA-11 OIC-02 /169 W
-----060271 101435Z /43

P 101419Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 9449
INFO AMEMBASSY OTTAWA

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USMTN
ACTION STR PASS ELECTRICALLY
STR PASS CODEL

E.O.11652:N/A
TAGS: ETRD, MTN, CA
SUBJECT: US-CANADA BILATERAL ON MACHINERY TARIFFS

1. SUMMARY. IN INITIAL MEETING ON US-CANADIAN TARIFF OFFERS ON MACHINERY, USDEL URGED CANADIANS TO EXPAND DUTY-FREE TREATMENT WHEREVER POSSIBLE. DISCUSSION FOCUSED ON THREE KINDS OF AREAS IN CANADIAN MACHINERY OFFER WHERE THIS IS POSSIBLE: (1) MADE IN CANADA/NOT MADE IN CANADA; (2) OFFERS ON BOUND VS. APPLIED RATES; AND (3) TARIFF CATEGORIES WHERE MAJORITY OF ITEMS IN THE HEADING ALREADY BOUND FREE. CANADIAN DEL TOOK NOTE OF US SPECIFIC INTERESTS AND INDICATED NO PROBLEM IN PRINCIPLE WITH MOST US REQUESTS. END SUMMARY.

2. USDEL (HAMERSCHLAG, WHITE) MET WITH CANADIAN DEL
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(DENIS ET AL) ON MAY 8 TO BEGIN CONSIDERATION OF OFFERS ON ELECTRICAL AND NONELECTRICAL MACHINERY. THIS SESSION WAS DEVOTED ENTIRELY TO AN EXAMINATION OF CANADIAN OFFERS. PRODUCTS COVERED AT INITIAL MEETING INCLUDED AGRICULTURAL AND MINING AND SAWMILL EQUIPMENT, PRINTING MACHINERY AND ELECTRONIC DATA ENTRY MACHINES. HOUSEHOLD ELECTRIC PRODUCTS AND THE LARGE MACHINERY BASKET (CANADIAN TARIFF

NUMBER 42700) WERE RESERVED FOR FUTURE SESSIONS.

3. ON TARIFF CATEGORIES WHERE GREAT BULK OF ITEMS WAS ALREADY BOUND FREE (USUALLY AGRICULTURAL EQUIPMENT), THE CANADIAN OFFER OFTEN INDICATED A REDUCTION IN THE SMALL UNBOUND BUT UNIDENTIFIED PART. USDEL POINTED OUT DIFFICULTY IN UNDERSTANDING AND EVALUATING THIS KIND OF OFFER AND URGED CANADIANS TO SPECIFY TO WHICH PRODUCTS THE LEGAL RATE APPLIED AND PROVIDE U.S. WITH TRADE DATA ON WHICH TO EVALUATE OUR INTEREST. USDEL URGED CANADIANS TO EXPAND DUTY-FREE PORTION OF SUCH CATEGORIES WHEREVER POSSIBLE WITH EXOUTS FOR SENSITIVE PORTIONS SPECIFICALLY IDENTIFIED. USDEL NOTED THAT IN SOME CATEGORIES CANADIAN OFFER DID SPECIFY EXOUTS.

4. CANADIAN DEL (GORE) EXPLAINED THAT IN DEVELOPING CANADIAN OFFER GOC ATTEMPTED FIRST TO IDENTIFY ITEMS ON WHICH GREATER OR LESS THAN FORMULA CUTS WOULD BE OFFERED. REMAINING ITEMS WERE AUTOMATICALLY ASSIGNED FORMULA CUTS. CANADIAN DEL SAID HE HAD NO OBJECTION IN PRINCIPLE TO U.S. SUGGESTIONS, AND WELCOMED INDICATIONS OF SPECIFIC U.S. INTERESTS. HOWEVER, GORE RAISED ISSUE OF RECIPROCITY ON AGRICULTURAL EQUIPMENT, NOTING U.S. CUSTOMS PRACTICE OF CLASSIFYING ITEMS AS AGRICULTURAL ONLY IF THEIR "CHIEF USE" WAS FOR FARMING. CANADIAN DEL SUGGESTED U.S. COULD CHANGE THE CRITERIA FOR CLASSIFYING FARM IMPLEMENTS. LIMITED OFFICIAL USE

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USDEL INDICATED THIS WAS NOT POSSIBLE, EXPLAINING THAT FOR U.S. CUSTOMS PURPOSE THE CHIEF USE OF THE ARTICLE HAD TO BE ON THE FARM AS OPPOSED TO SUCH ITEMS AS FENCE POST DIGGERS THAT CAN BE USED ON THE FARM. USDEL FURTHER NOTED THAT THIS PROBLEM OFTEN AROSE WITH NEW PRODUCTS WHERE THERE WAS LITTLE EXPERIENCE ON WHICH TO BASE CLASSIFICATION AS FARM IMPLEMENT AND SUGGESTED PROBLEMS BE DEALT WITH ON CASE-BY-CASE BASIS. CANADIAN DEL REITERATED INTEREST IN TRULY DUTY-FREE TRADE IN FARM EQUIPMENT AND NOTED CANADIAN VIEW THAT THEY APPEAR TO BE LETTING IN A BROADER SCOPE OF SUCH EQUIPMENT FREE.

5. ITEMS OF A CLASS OR KIND MADE/NOT MADE IN CANADA. US DEL INDICATED HIGH-PRIORITY OVERALL GOAL TO REMOVE SUCH ITEMS FROM THE CANADIAN TARIFF SCHEDULE BECAUSE IT INTRODUCES UNCERTAINTY OVER WHICH U.S. EXPORTERS HAVE NO CONTROL. POSSIBLE METHOD OF DEALING WITH THESE ITEMS WHEN ALREADY BOUND IN THE SCHEDULE WOULD BE TO BIND FREE ALL EXCEPT SENSITIVE PRODUCTS WHICH COULD BE EX-OUTS AT A GIVEN RATE.

6. CANADIAN DEL REQUESTED U.S. VIEWS ON "MADE IN CANADA"

CUSTOMS PROCEDURE AS OPPOSED TO MACHINERY PROGRAM. UNDER THE FORMER, CANADIAN CUSTOMS KEEPS A FILE OF ALL ITEMS DETERMINED BY NATIONAL REVENUE TO BE MADE IN CANADA. OTHERS ARE PRESUMED NOT TO BE MADE IN CANADA. PROBLEMS UNDER THIS PROCEDURE ARE: (1) ITEM MAY NOT BE DROPPED EVEN IF IT IS NO LONGER MADE IN CANADA, AND (2) THE

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PRODUCT MAY BE A CERTAIN "CLASS" OF GOODS MADE IN CANADA AND THEREFORE DUTIABLE, EVEN IF THE SPECIFIC PRODUCT IS NOT MADE IN CANADA. UNDER THE CANADIAN MACHINERY PROGRAM, THE SPECIFIC PRODUCT MUST BE AVAILABLE IN CANADA. USDEL AGREED THAT IN CONTRAST THE MACHINERY PROGRAM OFFERED ADVANTAGES BUT NOTED THAT THE PROBLEM OF SECURITY REMAINED IN THAT ONCE PRODUCTION STARTED IN CANADA, THE U.S. EXPORTERS WOULD FACE A DUTY. BECAUSE OF THE IMPORTANCE OF THE ISSUE, IT WAS AGREED THAT DISCUSSION OF IT WOULD CONTINUE WHEN WE TOOK UP THE MACHINERY BASKET - 42700.

7. REGARDING ITEMS ON WHICH APPLIED RATE IS FREE BUT OFFER ONLY INDICATED A CHANGE IN THE LEGAL RATE, USDEL URGED CANADIANS TO MAKE FREE OFFER TO AS GREAT EXTENT AS POSSIBLE. WHERE APPLIED RATE WAS LOWER THAN BOUND OR LEGAL RATE, USDEL RECOMMENDED IMPROVEMENT OF THE FORMULA OFFER.

8. DRAFTED BY WHITE. MCDONALD

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